
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 28, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 0-50761

AngioDynamics, Inc.

(Exact name of registrant as specified in its charter)



angiodynamics

Delaware
(State or other jurisdiction of
incorporation or organization)

11-3146460
(I.R.S. Employer
Identification No.)

14 Plaza Drive, Latham, New York 12110
(Address of principal executive offices and zip code)

(518) 795-1400
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, par value \$.01	ANGO	NASDAQ Global Select Market
Preferred Stock Purchase Rights		NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding as of April 6, 2022</u>
Common Stock, par value \$.01	38,780,101

AngioDynamics, Inc. and Subsidiaries

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PART 1. FINANCIAL INFORMATION
Item 1. Financial Statements.
AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands of dollars, except per share data)

	Three Months Ended		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
Net sales	\$ 73,970	\$ 71,182	\$ 229,221	\$ 214,168
Cost of sales (exclusive of intangible amortization)	35,387	32,652	109,944	99,700
Gross profit	38,583	38,530	119,277	114,468
Operating expenses:				
Research and development	7,280	8,565	22,873	27,286
Sales and marketing	20,416	19,607	68,468	57,486
General and administrative	8,727	9,011	27,348	26,787
Amortization of intangibles	4,895	4,292	14,605	13,838
Change in fair value of contingent consideration	201	183	1,005	(290)
Acquisition, restructuring and other items, net	2,359	610	7,052	3,057
Total operating expenses	43,878	42,268	141,351	128,164
Operating loss	(5,295)	(3,738)	(22,074)	(13,696)
Other income (expense):				
Interest expense, net	(173)	(226)	(503)	(676)
Other income (expense), net	(289)	(163)	(651)	259
Total other expense, net	(462)	(389)	(1,154)	(417)
Loss before income tax benefit	(5,757)	(4,127)	(23,228)	(14,113)
Income tax benefit	(799)	(583)	(2,947)	(2,033)
Net loss	\$ (4,958)	\$ (3,544)	\$ (20,281)	\$ (12,080)
Loss per share				
Basic	\$ (0.13)	\$ (0.09)	\$ (0.52)	\$ (0.32)
Diluted	\$ (0.13)	\$ (0.09)	\$ (0.52)	\$ (0.32)
Weighted average shares outstanding				
Basic	39,092	38,360	38,959	38,281
Diluted	39,092	38,360	38,959	38,281

The accompanying notes are an integral part of these consolidated financial statements.

AngioDynamics, Inc. and Subsidiaries**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
(unaudited)
(in thousands of dollars)

	Three Months Ended		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
Net loss	\$ (4,958)	\$ (3,544)	\$ (20,281)	\$ (12,080)
Other comprehensive income (loss), before tax:				
Foreign currency translation	(1,036)	12	373	3,287
Other comprehensive income (loss), before tax	(1,036)	12	373	3,287
Income tax expense related to items of other comprehensive income (loss)	—	—	—	—
Other comprehensive income (loss), net of tax	(1,036)	12	373	3,287
Total comprehensive loss, net of tax	<u>\$ (5,994)</u>	<u>\$ (3,532)</u>	<u>\$ (19,908)</u>	<u>\$ (8,793)</u>

The accompanying notes are an integral part of these consolidated financial statements.

AngioDynamics, Inc. and Subsidiaries**CONSOLIDATED BALANCE SHEETS**
(unaudited)
(in thousands of dollars, except share data)

	Feb 28, 2022	May 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 23,890	\$ 48,161
Accounts receivable, net of allowances of \$1,780 and \$1,919 respectively	41,810	35,405
Inventories	48,039	48,614
Prepaid expenses and other	13,947	8,699
Total current assets	127,686	140,879
Property, plant and equipment, net	43,594	37,073
Intangible assets, net	159,105	168,977
Goodwill	201,484	201,316
Other assets	11,309	13,193
Total assets	\$ 543,178	\$ 561,438
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 21,570	\$ 19,630
Accrued liabilities	25,196	35,459
Other current liabilities	2,602	2,495
Total current liabilities	49,368	57,584
Long-term debt	25,000	20,000
Deferred income taxes	16,961	19,955
Contingent consideration	16,741	15,741
Other long-term liabilities	5,416	8,701
Total liabilities	113,486	121,981
Commitments and contingencies (Note 14)		
Stockholders' equity		
Preferred stock, par value \$0.01 per share, 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, par value \$0.01 per share, 75,000,000 shares authorized; 39,520,101 and 38,920,951 shares issued and 39,150,101 and 38,550,951 shares outstanding at February 28, 2022 and May 31, 2021, respectively	380	377
Additional paid-in capital	583,647	573,507
Accumulated deficit	(152,147)	(131,866)
Treasury stock, 370,000 shares at February 28, 2022 and May 31, 2021, respectively	(5,714)	(5,714)
Accumulated other comprehensive income	3,526	3,153
Total Stockholders' Equity	429,692	439,457
Total Liabilities and Stockholders' Equity	\$ 543,178	\$ 561,438

The accompanying notes are an integral part of these consolidated financial statements.

AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands of dollars)

	Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021
Cash flows from operating activities:		
Net loss	\$ (20,281)	\$ (12,080)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	21,682	19,392
Non-cash lease expense	1,822	1,860
Stock based compensation	7,789	6,398
Change in fair value of contingent consideration	1,005	(290)
Deferred income taxes	(3,121)	(2,187)
Change in accounts receivable allowances	(66)	31
Fixed and intangible asset impairments and disposals	245	190
Other	(27)	(149)
Changes in operating assets and liabilities:		
Accounts receivable	(6,441)	(1,823)
Inventories	588	11,119
Prepaid expenses and other	(7,147)	(8,821)
Accounts payable, accrued and other liabilities	(11,802)	(1,746)
Net cash (used in) provided by operating activities	<u>(15,754)</u>	<u>11,894</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(3,258)	(4,567)
Additions to placement and evaluation units	(8,676)	—
Cash paid for acquisitions	(3,600)	—
Net cash used in investing activities	<u>(15,534)</u>	<u>(4,567)</u>
Cash flows from financing activities:		
Proceeds from borrowings on long-term debt	5,000	—
Repayment of long-term debt	—	(10,000)
Proceeds from exercise of stock options and employee stock purchase plan	2,354	2,459
Net cash provided by (used in) financing activities	<u>7,354</u>	<u>(7,541)</u>
Effect of exchange rate changes on cash and cash equivalents	(337)	248
(Decrease) increase in cash and cash equivalents	<u>(24,271)</u>	<u>34</u>
Cash and cash equivalents at beginning of period	48,161	54,435
Cash and cash equivalents at end of period	<u>\$ 23,890</u>	<u>\$ 54,469</u>
Supplemental disclosure of non-cash investing and financing activities:		
Accrual for capital expenditures incurred during the period	\$ (5)	\$ (113)

The accompanying notes are an integral part of these consolidated financial statements.

AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands of dollars, except share data)

	Common Stock		Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at May 31, 2021	38,920,951	\$ 377	\$ 573,507	\$ (131,866)	\$ 3,153	(370,000)	\$ (5,714)	\$ 439,457
Net loss				(6,972)				(6,972)
Exercise of stock options	80,635	1	1,279					1,280
Issuance/Cancellation of restricted stock units	279,495		(1,734)					(1,734)
Issuance/Cancellation of performance share units	59,371							—
Purchases of common stock under ESPP	49,789	1	899					900
Stock-based compensation			2,429					2,429
Other comprehensive income, net of tax					590			590
Balance at August 31, 2021	39,390,241	\$ 379	\$ 576,380	\$ (138,838)	\$ 3,743	(370,000)	\$ (5,714)	\$ 435,950
Net loss				(8,351)				(8,351)
Exercise of stock options	56,064		1,022					1,022
Issuance/Cancellation of restricted stock units	8,695		(83)					(83)
Purchases of common stock under ESPP	193		3					3
Stock-based compensation			3,008					3,008
Other comprehensive income, net of tax					819			819
Balance at November 30, 2021	39,455,193	\$ 379	\$ 580,330	\$ (147,189)	\$ 4,562	(370,000)	\$ (5,714)	\$ 432,368
Net loss				(4,958)				(4,958)
Exercise of stock options	5,000		77					77
Issuance/Cancellation of restricted stock units	11,304		(84)					(84)
Purchases of common stock under ESPP	48,604	1	972					973
Stock-based compensation			2,352					2,352
Other comprehensive loss, net of tax					(1,036)			(1,036)
Balance at February 28, 2022	39,520,101	\$ 380	\$ 583,647	\$ (152,147)	\$ 3,526	(370,000)	\$ (5,714)	\$ 429,692

	Common Stock		Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at May 31, 2020	38,448,536	\$ 374	\$ 561,871	\$ (100,318)	\$ (1,341)	(370,000)	\$ (5,714)	\$ 454,872
Net loss				(4,268)				(4,268)
Issuance/Cancellation of restricted stock units	164,946		(143)					(143)
Purchases of common stock under ESPP	79,596	1	633					634
Stock-based compensation			1,864					1,864
Other comprehensive income, net of tax					2,095			2,095
Balance at August 31, 2020	38,693,078	\$ 375	\$ 564,225	\$ (104,586)	\$ 754	(370,000)	\$ (5,714)	\$ 455,054
Net loss				(4,268)				(4,268)
Issuance/Cancellation of restricted stock units	8,952		(10)					(10)
Stock-based compensation			2,387					2,387
Other comprehensive income, net of tax					1,180			1,180
Balance at November 30, 2020	38,702,030	\$ 375	\$ 566,602	\$ (108,854)	\$ 1,934	(370,000)	\$ (5,714)	\$ 454,343
Net loss				(3,544)				(3,544)
Exercise of stock options	81,636	1	1,353					1,354
Issuance/Cancellation of restricted stock units	9,103		(49)					(49)
Purchases of common stock under ESPP	84,598	1	672					673
Stock-based compensation			2,147					2,147
Other comprehensive loss, net of tax					12			12
Balance at February 28, 2021	38,877,367	\$ 377	\$ 570,725	\$ (112,398)	\$ 1,946	(370,000)	\$ (5,714)	\$ 454,936

The accompanying notes are an integral part of these consolidated financial statements.

AngioDynamics, Inc. and Subsidiaries**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)****1. CONSOLIDATED FINANCIAL STATEMENTS**

The Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Loss for the three and nine months ended February 28, 2022 and 2021, the Consolidated Balance Sheet as of February 28, 2022, the Consolidated Statements of Cash Flows for the nine months ended February 28, 2022 and 2021, and the Consolidated Statements of Stockholders' Equity for the nine months ended February 28, 2022 and 2021 have been prepared by the Company and are unaudited. The Consolidated Balance Sheet as of May 31, 2021 was derived from audited consolidated financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary to state fairly the financial position, changes in stockholders' equity and comprehensive income, results of operations and cash flows as of and for the period ended February 28, 2022 (and for all periods presented) have been made.

The unaudited interim consolidated financial statements for the three and nine months ended February 28, 2022 and 2021 include the accounts of AngioDynamics, Inc. and its wholly owned subsidiaries, collectively, "us", "we" or the "Company". All intercompany balances and transactions have been eliminated.

2. ACQUISITIONS**Camaro Support Catheter Asset Acquisition**

On July 27, 2021, the Company acquired the Camaro support catheter (rebranded as Syntrax) from QX Medical, LLC for an aggregate purchase price of \$4.0 million, which included an upfront payment of \$3.6 million and \$0.4 million in purchase price holdbacks, along with \$1.0 million of potential future contingent consideration related to revenue milestones. This acquisition supports the Auryon product family and the Company's strategic plan. The Company accounted for this acquisition as an asset purchase. The Company recorded the amount paid at closing as inventory and fixed assets of \$0.1 million and an intangible asset product technology of \$3.9 million. The intangible asset will be amortized over 15 years. The contingent consideration is comprised of revenue milestones and will be accounted for when the contingency is resolved or becomes probable and reasonably estimable.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS**Revenue Recognition**

Under ASC 606, *Revenue from Contracts with Customers*, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company has one primary revenue stream which is the sales of its products.

Disaggregation of Revenue

The following table summarizes net sales by Global Business Unit ("GBU") and geography:

(in thousands)	Three Months Ended Feb 28, 2022			Three Months Ended Feb 28, 2021		
	United States	International	Total	United States	International	Total
Net sales						
Endovascular Therapies	\$ 34,400	\$ 3,683	\$ 38,083	\$ 29,529	\$ 3,722	\$ 33,251
Vascular Access	19,483	3,948	23,431	21,009	3,804	24,813
Oncology	8,562	3,894	12,456	8,116	5,002	13,118
Total	\$ 62,445	\$ 11,525	\$ 73,970	\$ 58,654	\$ 12,528	\$ 71,182

(in thousands)	Nine Months Ended Feb 28, 2022			Nine Months Ended Feb 28, 2021		
	United States	International	Total	United States	International	Total
Net sales						
Endovascular Therapies	\$ 105,405	\$ 10,394	\$ 115,799	\$ 87,198	\$ 9,810	\$ 97,008
Vascular Access	60,664	12,795	73,459	60,392	16,456	76,848
Oncology	26,190	13,773	39,963	25,856	14,456	40,312
Total	\$ 192,259	\$ 36,962	\$ 229,221	\$ 173,446	\$ 40,722	\$ 214,168

As the Company has previously announced, the Company is focused on its ongoing transformation from a company with a broad portfolio of largely undifferentiated products to a more focused medical technology company that delivers unique and innovative health care solutions. The Company believes that this transformation will enable the Company to shift the portfolio from the mature, lower-growth markets where we have competed in the past by investing in technology and products that provide access to larger and faster growing markets. As such, we believe the growth in the near to mid-term will be driven by our high technology products including Auryon, Thrombectomy (which includes AngioVac, AlphaVac and thrombolytics) and NanoKnife. We will refer to these high technology products as our Med Tech business and we will refer to the remainder of the portfolio as our Med Device business.

The following table summarizes net sales by Med Tech and Med Device:

(in thousands)	Three Months Ended		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
Net Sales				
Med Tech	\$ 19,612	\$ 15,246	\$ 56,117	\$ 39,581
Med Device	54,358	55,936	173,104	174,587
Total	\$ 73,970	\$ 71,182	\$ 229,221	\$ 214,168

Net Product Revenue

The Company's products consist of a wide range of medical, surgical and diagnostic devices used by professional healthcare providers for vascular access, for the treatment of peripheral vascular disease and for use in oncology and surgical settings. The Company's devices are generally used in minimally invasive, image-guided procedures. Most of the Company's products are intended to be used once and then discarded, or they may be implanted for short or long term use. The Company sells its products to its distributors and to end users, such as interventional radiologists, interventional cardiologists, vascular surgeons, urologists, interventional and surgical oncologists and critical care nurses.

Contracts and Performance Obligations

The Company contracts with its customers based on customer purchase orders, which in many cases are governed by master purchasing agreements. The Company's contracts with customers are generally for product only, and do not include other performance obligations such as services or other material rights. As part of its assessment of each contract, the Company evaluates certain factors including the customer's ability to pay (or credit risk). For each contract, the Company considers the promise to transfer products, each of which is distinct, to be the identified performance obligations.

Transaction Price and Allocation to Performance Obligations

Transaction prices of products are typically based on contracted rates. Product revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products to a customer, net of any variable consideration as described below.

If a contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price based on the estimated relative standalone selling prices of the promised products underlying each performance obligation. The Company has standard pricing for its products and determines standalone selling prices based on the price at which the performance obligation is sold separately.

Revenue Recognition

Revenue is recognized when control of the product is transferred to the customer (i.e., when the Company’s performance obligation is satisfied), which occurs at a point in time, and may be upon shipment from the Company’s manufacturing site or delivery to the customer’s named location, based on the contractual shipping terms of a contract.

In determining whether control has transferred, the Company considers if there is a present right to payment from the customer and when physical possession, legal title and risks and rewards of ownership have transferred to the customer.

The Company typically invoices customers upon satisfaction of identified performance obligations. As the Company’s standard payment terms are 30 to 90 days from invoicing, the Company does not provide any significant financing to its customers.

The Company enters into agreements to place placement and evaluation units (“units”) at customer sites, but the Company retains title to the units. For the duration of these agreements the customer has the right to use the unit at no upfront charge in connection with the customer’s ongoing purchase of disposables. These types of agreements include an embedded operating lease for the right to use the units. In these arrangements, revenue recognized for the sale of the disposables is not allocated between the disposal revenue and lease revenue due to the insignificant value of the units in relation to the total agreement value.

Sales, value add, and other taxes collected on behalf of third parties are excluded from revenue.

Variable Consideration

Reserves: Revenue from product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration for which reserves are established for discounts, returns, rebates and allowances that are offered within contracts between the Company and its customers. These reserves are based on the amounts earned or to be claimed on the related sales and are classified as a contra asset.

Rebates and Allowances: The Company provides certain customers with rebates and allowances that are explicitly stated in the Company’s contracts and are recorded as a reduction of revenue in the period the related product revenue is recognized. The Company establishes reserves for such amounts, which is included in accrued expenses in the accompanying Consolidated Balance Sheets. These rebates and allowances result from performance-based offers that are primarily based on attaining contractually specified sales volumes. The Company is also required to pay administrative fees to group purchasing organizations.

Product Returns: The Company generally offers customers a limited right of return. Product returns after 30 days must be pre-approved by the Company and customers may be subject to a 20% restocking charge. To be accepted, a returned product must be unadulterated, undamaged and have at least twelve months remaining prior to its expiration date. The Company estimates the amount of its product sales that may be returned by its customers and records this estimate as a reduction of revenue in the period the related product revenue is recognized. The Company currently estimates product return liabilities using its historical product return information and considers other factors that it believes could significantly impact its expected returns, including product recalls. During the nine months ended February 28, 2022, such product returns were not material.

Contract Balances with Customers

A receivable is generally recognized in the period the Company ships the product. Payment terms on invoiced amounts are based on contractual terms with each customer and generally coincide with revenue recognition. Accordingly, the Company does not have any contract assets associated with the future right to invoice its customers. In some cases, if control of the product has not yet transferred to the customer or the timing of the payments made by the customer precedes the Company’s fulfillment of the performance obligation, the Company recognizes a contract liability that is included in deferred revenue in the accompanying Consolidated Balance Sheets.

The following table presents changes in the Company’s receivables, contract assets and contract liabilities with customers:

(in thousands)	Feb 28, 2022	May 31, 2021
Receivables	\$ 41,810	\$ 35,405
Contract assets	\$ —	\$ —
Contract liabilities	\$ 416	\$ 426

During the nine months ended February 28, 2022, the Company had additions to contract liabilities of \$1.6 million. This was offset by \$1.6 million in revenue that was recognized during the nine months ended February 28, 2022.

Costs to Obtain or Fulfill a Customer Contract

Under ASC 606, the Company may recognize an asset for incremental costs of obtaining a contract with a customer if it expects to recover those costs. The Company's sales incentive compensation plans qualify for capitalization since these plans are directly related to sales achieved during a period of time. However, the Company has elected the practical expedient under ASC 340-40-25-4 to expense the costs as they are incurred within selling and marketing expenses since the amortization period is less than one year.

The Company accounts for shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated products. Shipping and handling costs, associated with the distribution of finished products to customers, are recorded in costs of goods sold and are recognized when the related finished product is shipped to the customer. Amounts charged to customers for shipping and handling are recorded in net sales.

4. INVENTORIES

Inventories are stated at lower of cost and net realizable value (using the first-in, first-out method). Inventories consisted of the following:

(in thousands)	Feb 28, 2022	May 31, 2021
Raw materials	\$ 28,086	\$ 22,925
Work in process	6,804	8,022
Finished goods	13,149	17,667
Inventories	\$ 48,039	\$ 48,614

The Company periodically reviews inventory for both obsolescence and loss of value. The Company makes assumptions about the future demand for and market value of the inventory. Based on these assumptions, the Company estimates the amount of obsolete, expiring and slow-moving inventory. The total inventory reserve at February 28, 2022 and May 31, 2021 was \$4.1 million and \$3.8 million, respectively.

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill is not amortized, but rather, is tested for impairment annually or more frequently if impairment indicators arise. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination.

The Company's annual testing for impairment of goodwill was completed as of December 31, 2021. The Company operates as a single operating segment with one reporting unit and consequently evaluates goodwill for impairment based on an evaluation of the fair value of the Company as a whole. The Company determines the fair value of the reporting unit based on the market valuation approach and concluded that it was not more-likely-than-not that the fair value of the Company's reporting unit was less than its carrying value.

Even though the Company determined that there was no goodwill impairment as of December 31, 2021, the future occurrence of a potential indicator of impairment, such as a significant adverse change in legal, regulatory, business or economic conditions or a more-likely-than-not expectation that the reporting unit or a significant portion of the reporting unit will be sold or disposed of, would require an interim assessment for the reporting unit prior to the next required annual assessment as of December 31, 2022.

There were no adjustments to goodwill for the nine months ended February 28, 2022 other than foreign currency translation adjustments.

Definite Lived Intangible Assets

Intangible assets other than goodwill are amortized over their estimated useful lives on a straight-line basis. Useful lives range from two to eighteen years. The Company periodically reviews, and adjusts, if necessary, the estimated useful lives of its intangible assets and reviews such assets or asset groups for impairment whenever events or changes in circumstances indicate

that the carrying value of the assets or asset groups may not be recoverable. If an intangible asset or asset group is considered to be impaired, the amount of the impairment will equal the excess of the carrying value over the fair value of the asset.

Intangible assets consisted of the following:

(in thousands)	Feb 28, 2022		
	Gross carrying value	Accumulated amortization	Net carrying value
Product technologies	\$ 241,719	\$ (108,757)	\$ 132,962
Customer relationships	60,172	(37,057)	23,115
Trademarks	9,950	(7,115)	2,835
Licenses	4,837	(4,644)	193
	<u>\$ 316,678</u>	<u>\$ (157,573)</u>	<u>\$ 159,105</u>

(in thousands)	May 31, 2021		
	Gross carrying value	Accumulated amortization	Net carrying value
Product technologies	\$ 236,907	\$ (97,343)	\$ 139,564
Customer relationships	60,291	(34,164)	26,127
Trademarks	9,950	(6,905)	3,045
Licenses	6,087	(5,846)	241
	<u>\$ 313,235</u>	<u>\$ (144,258)</u>	<u>\$ 168,977</u>

Amortization expense for the three months ended February 28, 2022 and 2021 was \$4.9 million and \$4.3 million, respectively. Amortization expense for the nine months ended February 28, 2022 and 2021 was \$14.6 million and \$13.8 million, respectively.

Expected future amortization expense related to the intangible assets for each of the following fiscal years is as follows:

(in thousands)	
Remainder of 2022	\$ 4,878
2023	19,032
2024	16,823
2025	16,804
2026	16,624
2027 and thereafter	84,944
	<u>\$ 159,105</u>

6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

(in thousands)	Feb 28, 2022	May 31, 2021
Payroll and related expenses	\$ 13,307	\$ 20,408
Royalties	2,153	2,663
Outside services	1,983	4,256
Research and Development	1,730	1,223
Sales and franchise taxes	908	631
Litigation Matters	—	975
Rebates	472	544
Other	4,643	4,759
	<u>\$ 25,196</u>	<u>\$ 35,459</u>

7. LONG-TERM DEBT

On June 3, 2019 the Company repaid all amounts outstanding under its then existing credit agreement and entered into a new Credit Agreement with the lender's party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and Bank of America, N.A. and KeyBank National Association, as co-syndication agents.

The Credit Agreement provides for a \$125.0 million secured revolving credit facility (the "Revolving Facility"), which includes an uncommitted expansion feature that allows the Company to increase the total revolving commitments and/or add new tranches of term loans in an aggregate amount not to exceed \$75.0 million. The proceeds may be used to refinance certain existing indebtedness of the Company and its subsidiaries, to finance the working capital needs, and for general corporate purposes (including permitted acquisitions), of the Company and its subsidiaries.

The Credit Agreement has a five-year maturity. Interest on the Revolving Facility is based, at the Company's option, on either a base rate of LIBOR or alternate base rate, plus an applicable margin tied to the Company's total leverage ratio and having ranges between 0.25% and 0.75% for base rate loans and between 1.25% and 1.75% for LIBOR loans. After default, the interest rate may be increased by 2.0%. The Revolving Facility also carries a commitment fee of 0.20% to 0.25% per annum on the unused portion.

The Company's obligations under the Revolving Facility are unconditionally guaranteed, jointly and severally, by the Company's material direct and indirect domestic subsidiaries (the "Guarantors"). All obligations of the Company and the Guarantors under the Revolving Facility are secured by first priority security interests in substantially all of the assets of the Company and the Guarantors.

The Credit Agreement includes customary representations, warranties and covenants, and acceleration, indemnity and events of default provisions, including, among other things, two quarterly financial covenants as follows:

- Maximum leverage ratio of consolidated total indebtedness* to consolidated EBITDA* of not greater than 3.00 to 1.00 (during certain periods following material acquisitions the ratio shall be increased to 3.50 to 1.00).
- Fixed charge coverage ratio of consolidated EBITDA minus consolidated capital expenditures* to consolidated interest expense* paid or payable in cash plus scheduled principal payments in respect of indebtedness under the Credit Agreement of not less than 1.25 to 1.00.

* The definitions of consolidated total indebtedness, consolidated EBITDA, consolidated capital expenditures and consolidated interest expense are specifically defined in the Credit Agreement included as an exhibit to Form 8-K filed on June 6, 2019.

As of February 28, 2022, there was \$25.0 million outstanding on the Revolving Facility. As of February 28, 2022 and May 31, 2021, the carrying value of long-term debt approximated its fair market value.

The interest rate on the Revolving Facility at February 28, 2022 was 1.36%.

8. INCOME TAXES

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate for the full fiscal year adjusted for any discrete events, which are recorded in the period that they occur. The estimated annual effective tax rate prior to discrete items was 12.7% as of the third quarter of fiscal year 2022, as compared to 15.6% for the same period in fiscal year 2021. In fiscal year 2022, the Company's effective tax rate differs from the U.S. statutory rate primarily due to the impact of the valuation allowance, foreign taxes, and other non-deductible permanent items (such as non-deductible meals and entertainment, Section 162(m) excess compensation and non-deductible share-based compensation).

The Company regularly assesses its ability to realize its deferred tax assets. Assessing the realization of deferred tax assets requires significant management judgment. In determining whether its deferred tax assets are more likely than not realizable, the Company evaluated all available positive and negative evidence, and weighted the evidence based on its objectivity.

Based on the review of all available evidence, the Company determined that it has not yet attained a sustained level of profitability and the objectively verifiable negative evidence outweighed the positive evidence. Therefore, the Company has provided a valuation allowance on its federal and state net operating loss carryforwards, federal and state R&D credit carryforwards and other net deferred tax assets that have a limited life and are not supportable by the naked credit deferred tax liability sourced income as of February 28, 2022. The Company will continue to assess the level of the valuation allowance required. If sufficient positive evidence exists in future periods to support a release of some or all of the valuation allowance, such a release would likely have a material impact on the Company's results of operations.

The Company filed for an employee retention credit under the provisions of the CARES Act resulting in a benefit of \$4.2 million that was recorded in the third quarter of the fiscal year compared to a benefit of \$1.9 million that was recorded in the prior year period. The benefit has been recorded as a receivable and is included in other current assets on the balance sheet.

9. SHARE-BASED COMPENSATION

On October 13, 2020, the Company's shareholders approved the 2020 Stock and Incentive Award Plan (the "2020 Plan"). The 2020 Plan provides for the grant of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance share units, performance shares and other incentive awards to the Company's employees, directors and other service providers. As of February 28, 2022, there was a maximum of 1.6 million shares of common stock available for future grant under the 2020 Plan.

Prior to the adoption of the 2020 Plan, equity awards were issued under the 2004 Stock and Incentive Award Plan (the "2004 Plan"). The adoption of the 2020 Plan did not impact the administration of equity awards issued under the 2004 Plan but following the adoption of the 2020 Plan, equity award grants are no longer made under the 2004 Plan.

The Company also has an employee stock purchase plan. As of February 28, 2022, there was a maximum of 2.3 million shares of common stock available for future grant under the employee stock purchase plan.

For the three months ended February 28, 2022 and 2021, share-based compensation expense was \$2.4 million and \$2.1 million, respectively. For the nine months ended February 28, 2022 and 2021, share-based compensation expense was \$7.8 million and \$6.4 million, respectively.

During the nine months ended February 28, 2022 and 2021, the Company granted stock options and restricted stock units under the 2020 and 2004 Plan to certain employees and members of the Board of Directors. Stock option awards are valued using the Black-Scholes option-pricing model and then amortized on a straight-line basis over the requisite service period of the award. Restricted stock unit awards are valued based on the closing trading value of the Company's common stock on the date of grant and then amortized on a straight-line basis over the requisite service period of the award.

During the nine months ended February 28, 2022 and 2021, the Company granted performance share units under the 2020 and 2004 Plan to certain employees. The awards may be earned by achieving performance levels over the requisite service period. The performance criteria are based on achieving certain performance targets and the total shareholder return ("TSR") of the Company's common stock relative to the TSR of the common stock of a pre-defined industry peer-group. The fair value of these awards is based on a Monte Carlo simulation model.

As of February 28, 2022, there was \$19.1 million of unrecognized compensation expense related to share-based payment arrangements. These costs are expected to be recognized over a weighted-average period of approximately three years. The Company has sufficient shares to satisfy expected share-based payment arrangements.

10. EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares outstanding without consideration of potential common stock. Diluted earnings per share includes the dilutive effect of potential common stock consisting of stock options, restricted stock units and performance stock units, provided that the inclusion of such securities is not anti-dilutive. In periods with a net loss, stock options and restricted stock units are not included in the computation of diluted loss per share as the impact would be anti-dilutive.

The following table reconciles basic to diluted weighted-average shares outstanding:

(in thousands)	Three Months Ended		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
Basic	39,092	38,360	38,959	38,281
Effect of dilutive securities	—	—	—	—
Diluted	39,092	38,360	38,959	38,281
Securities excluded as their inclusion would be anti-dilutive	3,457	3,003	3,457	3,033

11. SEGMENT AND GEOGRAPHIC INFORMATION

The Company considers the business to be a single operating segment engaged in the development, manufacture and sale of medical devices for vascular access, peripheral vascular disease and oncology on a global basis. The Company's chief

operating decision maker, the President and Chief Executive Officer (CEO), evaluates the various global product portfolios on a net sales basis utilizing various breakouts of the data including Global Business Unit, Med Tech versus Med Device and geography. Executives reporting to the CEO include those responsible for commercial operations, manufacturing operations, regulatory and quality and certain corporate functions. The CEO evaluates profitability, investment and cash flow metrics on a consolidated global basis due to shared infrastructure and resources.

The table below summarizes net sales by Global Business Unit:

(in thousands)	Three Months Ended		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
Net Sales				
Endovascular Therapies	\$ 38,083	\$ 33,251	\$ 115,799	\$ 97,008
Vascular Access	23,431	24,813	73,459	76,848
Oncology	12,456	13,118	39,963	40,312
Total	\$ 73,970	\$ 71,182	\$ 229,221	\$ 214,168

The table below summarizes net sales by Med Tech and Med Device:

(in thousands)	Three Months Ended		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
Net Sales				
Med Tech	\$ 19,612	\$ 15,246	\$ 56,117	\$ 39,581
Med Device	54,358	55,936	173,104	174,587
Total	\$ 73,970	\$ 71,182	\$ 229,221	\$ 214,168

The table below summarizes net sales by geographic area based on external customer location:

(in thousands)	Three Months Ended		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
Net Sales				
United States	\$ 62,445	\$ 58,654	\$ 192,259	\$ 173,446
International	11,525	12,528	36,962	40,722
Total	\$ 73,970	\$ 71,182	\$ 229,221	\$ 214,168

12. FAIR VALUE

On a recurring basis, the Company measures certain financial assets and financial liabilities at fair value based upon quoted market prices, where available. Where quoted market prices or other observable inputs are not available, the Company applies valuation techniques to estimate fair value. FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy for disclosure of fair value measurements. The categorization of financial assets and financial liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted market prices for identical assets or liabilities.
- Level 2 - Inputs to the valuation methodology are other observable inputs, including quoted market prices for similar assets or liabilities and market-corroborated inputs.
- Level 3 - Inputs to the valuation methodology are unobservable inputs based on management's best estimate of inputs market participants would use in pricing the asset or liability at the measurement date, including assumptions about risk.

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and contingent consideration. The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable approximates fair value due to their immediate or short-term maturities. The recurring fair value measurements using significant unobservable inputs (Level 3) relate to contingent consideration liabilities.

The following tables provide information by level for assets and liabilities that are measured at fair value on a recurring basis:

(in thousands)	Fair Value Measurements using inputs considered as:			Fair Value at Feb 28, 2022
	Level 1	Level 2	Level 3	
Financial Liabilities				
Contingent consideration for acquisition earn outs	\$ —	\$ —	\$ 16,741	\$ 16,741
Total Financial Liabilities	\$ —	\$ —	\$ 16,741	\$ 16,741

(in thousands)	Fair Value Measurements using inputs considered as:			Fair Value at May 31, 2021
	Level 1	Level 2	Level 3	
Financial Liabilities				
Contingent consideration for acquisition earn outs	\$ —	\$ —	\$ 15,741	\$ 15,741
Total Financial Liabilities	\$ —	\$ —	\$ 15,741	\$ 15,741

There were no transfers between Level 1, 2 and 3 for the three and nine months ended February 28, 2022 and 2021.

The table below presents the changes in fair value components of Level 3 instruments:

(in thousands)	Three Months Ended Feb 28, 2022
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance, November 30, 2021	\$ 16,540
Total gains or losses (realized/unrealized):	
Change in present value of contingent consideration ⁽¹⁾	201
Balance, February 28, 2022	\$ 16,741
Balance, February 28, 2022	
(in thousands)	Nine Months Ended Feb 28, 2022
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance, May 31, 2021	\$ 15,741
Total gains or losses (realized/unrealized):	
Change in present value of contingent consideration ⁽¹⁾	1,005
Currency gain from remeasurement	(5)
Balance, February 28, 2022	\$ 16,741
Balance, February 28, 2022	

(1) Change in the fair value of contingent consideration is included in earnings and comprised of changes in estimated earn out payments based on projections of Company performance and amortization of the present value discount.

Contingent Liability for Acquisition Earn Outs

Some of the Company's business combinations involve the potential for the payment of future contingent consideration upon the achievement of certain product development milestones or various other performance conditions. Payment of the additional consideration is generally contingent on the acquired company reaching certain performance milestones, including attaining specified revenue levels or product development targets. Contingent consideration is recorded at the estimated fair value of the contingent payments on the acquisition date. The fair value of the contingent consideration is remeasured at the estimated fair value at each reporting period with the change in fair value recognized as income or expense within change in fair value of contingent consideration in the Consolidated Statements of Operations.

The Company measures the initial liability and remeasures the liability on a recurring basis using Level 3 inputs as defined under authoritative guidance for fair value measurements, which is determined using a discounted cash flow model applied to projected net sales, using probabilities of achieving projected net sales and projected payment dates. Projected net sales are based on internal projections and extensive analysis of the target market and the sales potential. Increases or decreases in any valuation inputs in isolation may result in a significantly lower or higher fair value measurement in the future.

The recurring Level 3 fair value measurements of the contingent consideration liabilities include the following significant unobservable inputs as of February 28, 2022:

(in thousands)	Fair Value	Valuation Technique	Unobservable Input	Range
Revenue based payments	\$ 16,741	Discounted cash flow	Discount rate	5%
			Probability of payment	66% - 100%
			Projected fiscal year of payment	2023 - 2025

At February 28, 2022, the amount of undiscounted future contingent consideration that the Company expects to pay as a result of all completed acquisitions is approximately \$20.0 million. The milestones, including revenue projections and technical milestones associated with the contingent consideration must be reached in future periods ranging from fiscal years 2022 to 2029 in order for the associated consideration to be paid.

13. LEASES

The Company determines if an arrangement is a lease at inception of the contract. The Company has operating leases for buildings, primarily for office space, R&D, manufacturing and warehousing.

Operating lease right-of-use (“ROU”) assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Many of the lease agreements contain renewal or termination clauses that are factored into the determination of the lease term if it is reasonably certain that these options would be exercised. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The following table presents supplemental balance sheet information related to leases:

(in thousands)	Balance Sheet Location	Feb 28, 2022	May 31, 2021
Assets			
Operating lease ROU asset	Other assets	\$ 7,594	\$ 9,382
Liabilities			
Current operating lease liabilities	Other current liabilities	2,526	2,415
Non-current operating lease liabilities	Other long-term liabilities	5,378	7,319
Total lease liabilities		\$ 7,904	\$ 9,734

The interest rate implicit in lease agreements is typically not readily determinable, and as such the Company used the incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The incremental borrowing rate is defined as the interest the Company would pay to borrow on a collateralized basis, considering factors such as length of lease term. The following table presents the weighted average remaining lease term and discount rate:

	Feb 28, 2022
Weighted average remaining term (in years)	3.46
Weighted average discount rate	3.8 %

The maturities of the lease liabilities for each of the following fiscal years is:

(in thousands)	Feb 28, 2022
Remainder of 2022	\$ 687
2023	2,788
2024	2,202
2025	1,438
2026	1,137
2027 and thereafter	171
Total lease payments	\$ 8,423
Less: Imputed Interest	519
Total lease obligations	\$ 7,904
Less: Current portion of lease obligations	2,526
Long-term lease obligations	\$ 5,378

During the three months ended February 28, 2022 and 2021, the Company recognized \$0.7 million and \$0.8 million of operating lease expense, respectively, which includes immaterial short-term leases. During the nine months ended February 28, 2022 and 2021, the Company recognized \$2.1 million and \$2.4 million of operating lease expense, respectively, which includes immaterial short-term leases. The expenses on the Consolidated Statement of Operations were classified as follows:

(in thousands)	Three Months Ended		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
Cost of sales	\$ 218	\$ 209	\$ 656	\$ 602
Research and development	52	197	201	682
Sales and marketing	40	111	119	304
General and administrative	374	277	1,138	828
	\$ 684	\$ 794	\$ 2,114	\$ 2,416

The following table presents supplemental cash flow and other information related to leases for the nine months ended:

(in thousands)	Feb 28, 2022	Feb 28, 2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 2,041	\$ 2,020
ROU assets obtained in exchange for lease liabilities		
Operating leases	\$ 33	\$ 1,585

14. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is involved in various legal proceedings, including commercial, intellectual property, product liability, and regulatory matters of a nature considered normal for its business. The Company accrues for amounts related to these matters if it is probable that a liability has been incurred, and an amount can be reasonably estimated. The Company discloses such matters when there is at least a reasonable possibility that a material loss may have been incurred. However, the Company cannot predict the outcome of any litigation or the potential for future litigation.

C.R. Bard, Inc. v. AngioDynamics, Inc.

On January 11, 2012, C.R. Bard, Inc. ("Bard") filed a suit in the United States District Court of Utah claiming certain of the Company's implantable port products infringe on three U.S. patents held by Bard (US Patent Nos. 7,785,302 ("302 Patent"), 7,959,615 ("615 Patent") and 7,947,022 ("022 Patent")). The case was stayed pending reexamination in the US Patent and Trademark Office ("USPTO"). Following the reexamination proceedings, and the parties' related appeals to the Federal Circuit which resulted in further proceedings at the USPTO, certain claims of the '615 Patent were held invalid, while the remaining claims of the '615 Patent and the other two patents were upheld over the prior art references considered in the reexamination proceedings. Thereafter, the case was transferred from the District of Utah to the United States District Court for the District of Delaware ("District of Delaware"). A scheduling order was entered on March 23, 2021. On July 22, 2021, in another case against a different defendant the District of Utah invalidated multiple claims of the '302, '022, and '615 Patents

under 35 USC §101, including claims asserted against the Company. Following the Utah court's decision, the Company filed a Motion for Judgment on the Pleadings based on collateral estoppel on August 9, 2021. Bard filed its opposition brief on September 2, 2021 and the Company filed a reply on September 9, 2021. Following a hearing on the Motion for Judgment on the Pleadings on December 21, 2021, the District of Delaware stayed the case pending the Federal Circuit's resolution of Bard's appeal from the Utah Decision. Previously, the Company had filed a Motion for Leave to Amend its Answer and Counterclaims on April 14, 2021. This motion sought to add counterclaims for infringement of U.S. Patent Nos. 9,168,365; 9,895,523; and 10,632,295, as well as a counterclaim of inequitable conduct. On November 5, 2021, the Company notified the District of Delaware that the Utah decision was certified for appeal to the Court of Appeals for the Federal Circuit. Contemporaneously, the Company withdrew its Motion for Leave to Amend its Answer and Counterclaims without prejudice to refile. Bard filed its Opening Appellate Brief in its appeal at the Federal Circuit on December 8, 2021. The Company believes these claims are without merit and intends to defend them vigorously. The Company has not recorded an expense related to the outcome of this litigation because it is not yet possible to determine if a potential loss is probable nor reasonably estimable.

On March 10, 2015, Bard and Bard Peripheral Vascular filed suit in the District of Delaware claiming certain of the Company's implantable port products infringe on three U.S. patents held by Bard (US Patent Nos. 8,475,417, 8,545,460, 8,805,478). The case proceeded through trial which began on March 4, 2019. At the close of Bard's case, the Court granted the Company's oral motion for judgment as a matter of law as well as its motions for summary judgment on the grounds that the asserted patents are invalid, ineligible, not infringed and not willfully infringed. On May 10, 2019, the Company filed a motion for attorney fees and non-taxable expenses under 35 USC Sec. 285. Bard appealed the judgment to the Federal Circuit and on November 10, 2020, the Federal Circuit reversed the judgment in part with respect to Section 101 (subject matter eligibility), and vacated and remanded the trial court's invalidity and non-infringement judgments. The Company filed a combined Petition for rehearing and rehearing en banc on December 10, 2020, which was denied on January 15, 2021. The Federal Circuit issued its mandate on January 22, 2021. On March 15, 2021, the District of Delaware entered an order requiring the parties to submit status reports and denied as moot the Company's motion for attorney's fees and expenses. The parties agreed to schedule trial the week of May 9, 2022, and the trial has been docketed on the Court's calendar. The Company maintains its belief that Bard's claims are without merit. The Company has not recorded an expense related to the outcome of this litigation because it is not yet possible to determine if a potential loss is probable nor reasonably estimable.

On March 8, 2021, Bard filed suit in the District of Delaware asserting certain of the Company's port products (including certain related infusion sets) infringe U.S. Patent Nos. 8,025,639, 9,603,992 ("992") and 9,603,993 ("993"). On May 20, 2021, the Company filed a Motion to Dismiss Bard's claims with respect to the '992 and '993 patents. On July 22, 2021, the Company submitted the Utah court's decision invalidating claims of the related '302, '022, and '615 Patents as supplemental authority in support of its Motion to Dismiss. The parties agreed to submit supplemental briefing to address the Utah court's decision. Bard submitted its brief on August 12, 2021, and the Company submitted its reply on September 2, 2021. On December 21, 2021, the District of Delaware stayed the case pending the Federal Circuit's resolution of Bard's appeal of the Utah decision invalidating multiple claims of the '302, '022, and '615 patents under 35 USC §101. The Company maintains its belief that Bard's claims are without merit. The Company has not recorded an expense related to the outcome of this litigation because it is not yet possible to determine if a potential loss is probable nor reasonably estimable.

AngioDynamics, Inc. v. C.R. Bard, Inc.

On May 30, 2017, the Company commenced an action in the United States District Court for the Northern District of New York entitled *AngioDynamics, Inc. v. C.R. Bard, Inc. and Bard Access Systems, Inc.* ("Bard"). In this action, the Company alleges that Bard has illegally tied the sales of its tip location systems to the sales of its PICCs. The Company alleges that this practice violates the federal antitrust laws and has had, and continues to have, an anti-competitive effect in the market for PICCs. The Company seeks both monetary damages and injunctive relief. Bard moved to dismiss on September 8, 2017. On August 6, 2018 the court denied Bard's motion in its entirety. Bard made a motion for summary judgment which was denied in its entirety in a decision issued by the Court on May 5, 2021. Bard also raised a series of challenges targeted at one of AngioDynamics' expert witnesses, which the Court denied in part and granted in part in decisions on May 5, 2021 and June 11, 2021. Discovery is largely complete, and trial is scheduled to commence on July 5, 2022.

15. ACQUISITION, RESTRUCTURING, AND OTHER ITEMS, NET

Acquisition, Restructuring and Other Items

Acquisition, restructuring and other items, net, consisted of:

(in thousands)	Three Months Ended		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
Legal ⁽¹⁾	\$ 1,681	\$ 967	\$ 5,837	\$ 2,947
Mergers and acquisitions ⁽²⁾	—	—	59	1
Transition service agreement ⁽³⁾	—	(323)	—	(1,032)
Divestiture ⁽⁴⁾	—	8	—	393
Manufacturing relocation ⁽⁵⁾	396	—	455	—
Other	282	(42)	701	748
Total	\$ 2,359	\$ 610	\$ 7,052	\$ 3,057

(1) Legal expenses related to litigation that is outside the normal course of business.

(2) Mergers and acquisitions expense related to legal and due diligence.

(3) Transition services agreement that was entered into as a result of the sale of the Fluid Management business.

(4) Divestiture expenses incurred to transition manufacturing from Glens Falls, NY to Queensbury, NY.

(5) Expenses to relocate certain manufacturing lines from Queensbury, NY to Costa Rica.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in each component of accumulated other comprehensive income, net of tax, are as follows:

(in thousands)	Three Months Ended Feb 28, 2022
	Foreign currency translation income
Balance at November 30, 2021	\$ 4,562
Other comprehensive loss, net of tax	(1,036)
Net other comprehensive loss	\$ (1,036)
Balance at February 28, 2022	\$ 3,526

(in thousands)	Nine Months Ended Feb 28, 2022
	Foreign currency translation income
Balance at May 31, 2021	\$ 3,526
Other comprehensive income, net of tax	—
Net other comprehensive income	\$ —
Balance at February 28, 2022	\$ 3,526

17. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Recently Issued Accounting Pronouncements - Adopted

There are no recently issued accounting pronouncements that have been adopted.

Recently Issued Accounting Pronouncements - Not Yet Applicable or Adopted

Standard	Description	Effective Date	Effect on the Consolidated Financial Statements
ASU 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance	This ASU increases the transparency of government assistance to include the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements.	June 1, 2022	The Company plans to adopt the new standard in the first quarter of fiscal year 2023 and does not expect there to be a material impact to the consolidated financial statements.
ASU 2021-08, <i>Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers</i>	This ASU improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer.	June 1, 2023	The Company plans to adopt the new standard in the first quarter of fiscal year 2024 and does not expect there to be a material impact to the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following information should be read together with the consolidated financial statements and the notes thereto and other information included elsewhere in this quarterly report on Form 10-Q. The following discussion should be read in conjunction with the Company's 2021 Annual Report on Form 10-K, and the consolidated financial statements and notes thereto included elsewhere in the Form 10-Q.

Disclosure Regarding Forward-Looking Statements

This quarterly report on Form 10-Q, including the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements regarding AngioDynamics' expected future financial position, results of operations, cash flows, business strategy, budgets, projected costs, capital expenditures, products, competitive positions, growth opportunities, plans and objectives of management for future operations, as well as statements that include words such as "expects," "reaffirms," "intends," "anticipates," "plans," "believes," "seeks," "estimates," "projects," or variations of such words and similar expressions, are forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Investors are cautioned that actual events or results may differ materially from our expectations, expressed or implied. Factors that may affect our actual results achieved include, without limitation, our ability to develop existing and new products, future actions by FDA or other regulatory agencies, results of pending or future clinical trials, the results of ongoing litigation, overall economic conditions (including inflation, labor shortages and supply chain challenges, including the cost and availability of raw materials), general market conditions, market acceptance, foreign currency exchange rate fluctuations, the effects on pricing from group purchasing organizations and competition, our ability to integrate purchased businesses and other factors including natural disasters and pandemics (such as the scope, scale and duration of the impact of COVID-19). Other risks and uncertainties include, but are not limited to, the factors described from time to time in our reports filed with the Securities and Exchange Commission (the "SEC").

Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this quarterly report on Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, investors are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date stated, or if no date is stated, as of the date of this report. AngioDynamics disclaims any obligation to update the forward-looking statements.

Disclosure Regarding Trademarks

This report includes trademarks, tradenames and service marks that are our property or the property of other third parties. Solely for convenience, such trademarks and tradenames sometimes appear without any "TM" or "®" symbol. However, failure to include such symbols is not intended to suggest, in any way, that we will not assert our rights or the rights of any applicable licensor, to these trademarks and tradenames. For a complete listing of all our trademarks, tradenames and service marks please visit www.angiodynamics.com/IP. Information on our website or connected to our website is not incorporated by reference into this Quarterly Report on Form 10-Q.

Executive Overview

We design, manufacture and sell a wide range of medical, surgical and diagnostic devices used by professional healthcare providers for vascular access, for the treatment of peripheral vascular disease and for use in oncology and surgical settings. Our devices are generally used in minimally invasive, image-guided procedures. Many of our products are intended to be used once and then discarded, or they may be temporarily implanted for short- or long-term use.

Our business operations cross a variety of markets. Our financial performance is impacted by changing market dynamics, which have included an emergence of value-based purchasing by healthcare providers, consolidation of healthcare providers, the increased role of the consumer in health care decision-making and an aging population, among others. In addition, our growth is impacted by changes within our sector, such as the merging of competitors to gain scale and influence; changes in the regulatory environment for medical devices; and fluctuations in the global economy.

Our sales and profitability growth also depends, in part, on the introduction of new and innovative products, together with ongoing enhancements to our existing products. Expansions of our product offerings are created through internal and external product development, technology licensing and strategic alliances. We recognize the importance of, and intend to continue to

make investments in research and development activities and selective business development opportunities to provide growth opportunities.

We sell our products in the United States primarily through a direct sales force, and outside the U.S. through a combination of direct sales and distributor relationships. Our end users include interventional radiologists, interventional cardiologists, vascular surgeons, urologists, interventional and surgical oncologists and critical care nurses. We expect our businesses to grow in both sales and profitability by expanding geographically, penetrating new markets, introducing new products and increasing our presence internationally.

The COVID-19 global pandemic has impacted our business and may continue to pose future risks with the emergence of new variants. Even with the public health actions that have been taken to reduce the spread of the virus, the market continues to experience disruptions with respect to consumer demand, hospital operating procedures and workflow, trends that may continue. The Company's ability to manufacture products, the reliability of our supply chain, labor shortages, backlog and inflation (including the cost and availability of raw materials, direct labor and shipping) have impacted our business, trends that may continue. Accordingly, management continues to evaluate the Company's liquidity position, communicate with and monitor the actions of our customers and suppliers, and review our near-term financial performance.

In the third quarter of fiscal year 2022, a benefit of \$4.2 million was recorded as a result of the employee retention credit that the Company filed for under the provisions of the Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020 which amended and extended the employee retention credit under section 2301 of the CARES Act.

In evaluating the operating performance of our business, management focuses on revenue, gross margin, operating income, earnings per share and cash flow from operations. A summary of these key financial metrics for the three and nine months ended February 28, 2022 compared to the three and nine months ended February 28, 2021 are as follows:

Three months ended February 28, 2022:

- Revenue increased by 3.9% to \$74.0 million.
- Med Tech growth of 28.6% while Med Device declined 2.8%.
- Gross profit decreased 190 bps to 52.2%.
- Net loss increased by \$1.4 million to \$5.0 million.
- Loss per share increased by \$0.04 to a loss of \$0.13.

Nine months ended February 28, 2022:

- Revenue increased by 7.0% to \$229.2 million.
- Med Tech growth of 41.8% while Med Device declined 0.8%.
- Gross profit decreased 140 bps to 52.0%.
- Net loss increased by \$8.2 million to \$20.3 million.
- Loss per share increased by \$0.20 to a loss of \$0.52.
- Cash used in operations increased by \$27.6 million to \$15.8 million.

In our Med Tech business, comprised of Auryon, the Thrombectomy platform and NanoKnife, Auryon and the Thrombectomy platform experienced improved performance during the third quarter of fiscal year 2022. Our Med Device business was negatively impacted by the backlog in Vascular Access products and our Oncology products continued to face pressure from reductions in procedure volumes due to challenges resulting from the COVID-19 pandemic, a trend that may continue.

Results of Operations

For the three months ended February 28, 2022, the Company reported a net loss of \$5.0 million, or a loss of \$0.13 per diluted share, on net sales of \$74.0 million, compared with a net loss of \$3.5 million, or a loss of \$0.09 per diluted share, on net sales of \$71.2 million during the same quarter of the prior year. For the nine months ended February 28, 2022, the Company reported a net loss of \$20.3 million, or a loss of \$0.52 per diluted share, on net sales of \$229.2 million, compared with a net loss of \$12.1 million, or a loss of \$0.32 per diluted share, on net sales of \$214.2 million during the same period of the prior year.

Net Sales

Net sales - Net sales are derived from the sale of products and related freight charges, less discounts, rebates and returns.

The table below summarizes net sales by Med Tech and Med Device:

(in thousands)	Three Months Ended			Nine Months Ended		
	Feb 28, 2022	Feb 28, 2021	% Change	Feb 28, 2022	Feb 28, 2021	% Change
Net Sales						
Med Tech	\$ 19,612	\$ 15,246	28.6%	\$ 56,117	\$ 39,581	41.8%
Med Device	54,358	55,936	(2.8)%	173,104	174,587	(0.8)%
Total	<u>\$ 73,970</u>	<u>\$ 71,182</u>	3.9%	<u>\$ 229,221</u>	<u>\$ 214,168</u>	7.0%

(in thousands)	Three Months Ended			Nine Months Ended		
	Feb 28, 2022	Feb 28, 2021	% Change	Feb 28, 2022	Feb 28, 2021	% Change
Net Sales by Global Business Unit						
Endovascular Therapies	\$ 38,083	\$ 33,251	14.5%	\$ 115,799	\$ 97,008	19.4%
Vascular Access	23,431	24,813	(5.6)%	73,459	76,848	(4.4)%
Oncology	12,456	13,118	(5.0)%	39,963	40,312	(0.9)%
Total	<u>\$ 73,970</u>	<u>\$ 71,182</u>	3.9%	<u>\$ 229,221</u>	<u>\$ 214,168</u>	7.0%

Net Sales by Geography						
	Feb 28, 2022	Feb 28, 2021	% Change	Feb 28, 2022	Feb 28, 2021	% Change
United States	\$ 62,445	\$ 58,654	6.5%	\$ 192,259	\$ 173,446	10.8%
International	11,525	12,528	(8.0)%	36,962	40,722	(9.2)%
Total	<u>\$ 73,970</u>	<u>\$ 71,182</u>	3.9%	<u>\$ 229,221</u>	<u>\$ 214,168</u>	7.0%

For the three months ended February 28, 2022, net sales increased \$2.8 million to \$74.0 million compared to the same period in the prior year. For the nine months ended February 28, 2022, net sales increased \$15.1 million to \$229.2 million compared to the same period in the prior year. At February 28, 2022, the Company had a backlog of \$9.6 million.

The Med Tech business net sales increased \$4.4 million and \$16.5 million for the three and nine months ended February 28, 2022 compared to the same periods in the prior year, respectively. The change in sales for both periods was primarily driven by:

- Increased Auryon sales of \$3.9 million and \$12.9 million compared to the same periods in the prior year, respectively;
- Growth in the thrombectomy platform of \$0.6 million and \$2.7 million compared to the same periods in the prior year, respectively, which was driven by growth in the mechanical thrombectomy platform partially offset by decreased sales of thrombolytics. Increased sales in the mechanical thrombectomy platform of \$0.9 million and \$3.3 million, compared to the same periods in the prior year, respectively, was driven by AngioVac and the launch of the AlphaVac product in the second quarter of fiscal year 2022. Even though sales increased, AngioVac case volume declined in the third quarter of fiscal year 2022 due to continued COVID-19 challenges; and
- Decreased NanoKnife sales of \$0.2 million for the three months ended February 28, 2022 compared to the same period in the prior year and increased NanoKnife sales of \$0.8 million for the nine months ended February 28, 2022 compared to the same period in the prior year. The decrease for the three months ended February 28, 2022 was driven by decreased capital sales internationally, partially offset by an increase in disposable sales in the U.S. For the nine months ended February 28, 2022, NanoKnife disposable sales increased \$1.2 million, driven by sales in the U.S., partially offset by decreased capital sales.

The Med Device business net sales decreased \$1.6 million and \$1.5 million for the three and nine months ended February 28, 2022 compared to the same periods in the prior year, respectively. Excluding the large UK order in the first quarter of the prior year, net sales increased \$3.7 million for the nine months ended February 28, 2022. The change in sales for both periods was primarily driven by:

- The backlog of \$9.6 million at February 28, 2022, which primarily impacted sales of Core, Venous and Vascular Access products, for the three and nine month periods;
- Decreased sales in Vascular Access (specifically Midlines, Ports and Dialysis), Radio Frequency Ablation and Microwave products for the three months ended February 28, 2022 compared to the same period in the prior year of \$1.4 million, \$0.3 million and \$0.2 million, respectively. This was partially offset by increased sales of Core products of \$0.3 million for the three months ended February 28, 2022 compared to the same period in the prior year;

- Increased case volume for the nine months ended February 28, 2022 compared to the same period in the prior year, which resulted in increased sales of Core (despite the impact of the backlog) and BioSentry products of \$3.1 million and \$0.4 million, respectively. Port sales also increased \$1.5 million, driven primarily by sales in the U.S. These increases for the nine months ended February 28, 2022 compared to the same period in the prior year were partially offset by decreased Midline, PICCs, Dialysis, Radio Frequency Ablation and Microwave sales of \$2.3 million, \$1.6 million, \$1.0 million, \$0.6 million, \$0.8 million, respectively; and
- Midlines, PICCs and Ports increased \$2.8 million, excluding the prior year order in the UK, for the nine months ended February 28, 2022 compared to the prior year period.

Gross Profit, Operating Expenses, and Other Income (expense)

(in thousands)	Three Months Ended			Nine Months Ended		
	Feb 28, 2022	Feb 28, 2021	% Change	Feb 28, 2022	Feb 28, 2021	% Change
Gross profit	\$ 38,583	\$ 38,530	0.1 %	\$ 119,277	\$ 114,468	4.2 %
Gross profit % of sales	52.2 %	54.1 %		52.0 %	53.4 %	
Research and development	\$ 7,280	\$ 8,565	(15.0)%	\$ 22,873	\$ 27,286	(16.2)%
% of sales	9.8 %	12.0 %		10.0 %	12.7 %	
Selling and marketing	\$ 20,416	\$ 19,607	4.1 %	\$ 68,468	\$ 57,486	19.1 %
% of sales	27.6 %	27.5 %		29.9 %	26.8 %	
General and administrative	\$ 8,727	\$ 9,011	(3.2)%	\$ 27,348	\$ 26,787	2.1 %
% of sales	11.8 %	12.7 %		11.9 %	12.5 %	

Gross profit - Gross profit consists of net sales less the cost of goods sold, which includes the costs of materials, products purchased from third parties and sold by us, manufacturing personnel, royalties, freight, business insurance, depreciation of property and equipment and other manufacturing overhead, exclusive of intangible amortization.

Gross profit increased by \$0.1 million for the three months ended February 28, 2022 compared to the same period in the prior year. The change was primarily driven by:

- Sales volume, which positively impacted gross profit by \$1.5 million;
- Labor shortages, inflationary costs on raw materials and production volume which negatively impacted gross profit by \$1.7 million; and
- A benefit of \$0.8 million that was recorded as a result of the employee retention credit that the Company filed for under the provisions of the CARES Act in the third quarter of the current year compared to a benefit of \$0.7 million in the prior year period.

Gross profit increased by \$4.8 million for the nine months ended February 28, 2022 compared to the same period in the prior year. The change was primarily driven by:

- Sales volume which positively impacted gross profit by \$9.2 million;
- Price and mix which positively impacted gross profit by \$0.9 million as a result of increased sales of Auryon and AngioVac products. This positive impact was partially offset by sales of lower margin Vascular Access products;
- Start-up costs related to Auryon and AlphaVac of \$2.1 million, including depreciation on Auryon placement units of \$0.8 million, which negatively impacted gross profit;
- Labor shortages, freight and inflationary costs on raw materials which negatively impacted gross profit by \$2.7 million year over year; and
- A benefit of \$0.8 million that was recorded as a result of the employee retention credit that the Company filed for under the provisions of the CARES Act in the third quarter of the current year compared to a benefit of \$0.7 million in the prior year period.

Research and development expense - Research and development (“R&D”) expense includes internal and external costs to develop new products, enhance existing products, validate new and enhanced products, and manage clinical, regulatory and medical affairs.

R&D expense decreased \$1.3 million and \$4.4 million for the three and nine months ended February 28, 2022 compared to the same period in the prior year, respectively. The change for both periods was primarily driven by:

- The timing of certain projects, which reduced R&D project expense by \$0.3 million and \$2.4 million compared to the same periods in the prior year, respectively;
- Open R&D positions, which resulted in decreased compensation and benefits expense of \$0.9 and \$2.0 million compared to the same periods in the prior year, respectively; and
- A benefit of \$0.5 million that was recorded as a result of the employee retention credit that the Company filed for under the provisions of the CARES Act in the third quarter of the current year compared to \$0.3 million in the prior year period.

Sales and marketing expense - Sales and marketing (“S&M”) expense consists primarily of salaries, commissions, travel and related business expenses, attendance at medical society meetings, product promotions and marketing activities.

S&M expense increased \$0.8 million and \$11.0 million for the three and nine months ended February 28, 2022 compared to the same period in the prior year, respectively. The change for both periods was primarily driven by:

- Additional headcount from the build-out of the Auryon sales and marketing teams, which increased compensation and benefits expense by \$2.2 million and \$8.9 million compared to the same periods in the prior year, respectively;
- Travel, meeting and tradeshow expenses, which increased \$0.8 million and \$4.2 million compared to the same periods in the prior year, respectively, as some COVID-19 restrictions were lifted; and
- A benefit of \$2.8 million that was recorded as a result of the employee retention credit that the Company filed for under the provisions of the CARES Act in the third quarter of the current year compared to \$0.9 million in the prior year period.

General and administrative expense - General and administrative (“G&A”) expense includes executive management, finance, information technology, human resources, business development, legal, and the administrative and professional costs associated with those activities.

G&A expense decreased \$0.3 million for the three months ended February 28, 2022 and increased \$0.6 million for the nine months ended February 28, 2022 compared to the same periods in the prior year. The change for both periods was primarily driven by:

- Compensation and benefits expense, which decreased \$1.1 million for the three months ended February 28, 2022 compared to the same period in the prior year while compensation and benefits expense for the nine months ended February 28, 2022 increased \$0.2 million compared to the same period in the prior year;
- Other outside consultant spend, which increased \$0.7 million for the three months ended February 28, 2022 compared to the same period in the prior year; and
- Legal expense, which decreased \$1.2 million while other outside consultant spend increased \$1.6 million for the nine months ended February 28, 2022 compared to the same period in the prior year.

(in thousands)	Three Months Ended			Nine Months Ended		
	Feb 28, 2022	Feb 28, 2021	\$ Change	Feb 28, 2022	Feb 28, 2021	\$ Change
Amortization of intangibles	\$ 4,895	\$ 4,292	\$ 603	\$ 14,605	\$ 13,838	\$ 767
Change in fair value of contingent consideration	\$ 201	\$ 183	\$ 18	\$ 1,005	\$ (290)	\$ 1,295
Acquisition, restructuring and other items, net	\$ 2,359	\$ 610	\$ 1,749	\$ 7,052	\$ 3,057	\$ 3,995
Other expense, net	\$ (462)	\$ (389)	\$ (73)	\$ (1,154)	\$ (417)	\$ (737)

Amortization of intangibles - Represents the amount of amortization expense that was taken on intangibles assets held by the Company.

- Amortization expense increased \$0.6 million and \$0.8 million, respectively, for the three and nine months ended February 28, 2022 compared to the prior year periods. The increase is due to amortization relating to the Camaro intangible asset addition of \$3.9 million in the first quarter of fiscal year 2022, partially offset by assets that became fully amortized in fiscal year 2021.

Change in fair value of contingent consideration - Represents changes in contingent consideration driven by changes to estimated future payments on earn-out liabilities created through acquisitions and amortization of present value discounts on long-term contingent consideration.

- The change in the fair value for the three and nine months ended February 28, 2022 is related to the Eximo contingent consideration.

Acquisition, restructuring and other items, net - Represents costs associated with mergers and acquisitions, restructuring expenses, legal costs that are related to litigation that is not in the ordinary course of business, legal settlements and other one-time items.

Acquisition, restructuring and other items, net, increased by \$1.7 million and \$4.0 million for the three and nine months ended February 28, 2022, respectively, compared to the same periods in the prior year. The change for both periods was primarily driven by:

- Legal expense, related to litigation that is outside of the normal course of business, which increased \$0.7 million and \$2.9 million compared to the same periods in the prior year, respectively;
- Manufacturing relocation expense related to the move of certain manufacturing lines to Costa Rica of \$0.4 million and \$0.5 million compared to the same periods in the prior year, respectively;
- Other expenses (mainly severance associated with organizational changes), which increased \$0.3 million for the three months ended February 28, 2022 compared to the same period in the prior year;
- Manufacturing facilities relocation expense of \$0.4 million for the nine months ended February 28, 2021 as a result of the sale of the Fluid Management business; and
- Transition Services Agreement fees of \$0.3 million and \$1.0 million from Medline Industries were received for the three and nine months ended February 28, 2021. These activities were completed during fiscal year 2021.

Other income (expense), net - Other expenses include interest expense, foreign currency impacts, bank fees, and amortization of deferred financing costs.

- The change in other expense of \$0.1 million and \$0.7 million for the three and nine months ended February 28, 2022 compared to the same period in the prior year, respectively, is primarily due to unrealized foreign currency fluctuations of \$0.1 million and \$0.9 million, respectively.

Income Tax Benefit

(in thousands)	Three Months Ended		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
Income tax benefit	\$ (0.8)	\$ (0.6)	\$ (2.9)	\$ (2.0)
Effective tax rate including discrete items	13.9 %	14.1 %	12.7 %	14.4 %

Our effective tax rate including discrete items for the three-month periods ended February 28, 2022 and 2021 was 13.9% and 14.1%, respectively. Our effective tax rate including discrete items for the nine-month periods ended February 28, 2022 and 2021 was 12.7% and 14.4%, respectively. In fiscal year 2022, the Company's effective tax rate differs from the U.S. statutory rate primarily due to the impact of the valuation allowance, foreign taxes, and other non-deductible permanent items (such as non-deductible meals and entertainment, Section 162(m) excess compensation and non-deductible share-based compensation).

Liquidity and Capital Resources

We regularly review our liquidity and anticipated capital requirements in light of the significant uncertainty created by the COVID-19 global pandemic. We believe that our current cash on hand and availability under our Revolving Facility provide sufficient liquidity to meet our anticipated needs for capital for at least the next 12 months. We are closely monitoring receivables and payables.

Our cash and cash equivalents totaled \$23.9 million as of February 28, 2022, compared with \$48.2 million as of May 31, 2021. As of February 28, 2022 and May 31, 2021, total debt outstanding related to the Revolving Facility was \$25.0 million and \$20.0 million, respectively. The fair value of contingent consideration liability as of February 28, 2022 and May 31, 2021, was \$16.7 million and \$15.7 million, respectively.

The table below summarizes our cash flows:

(in thousands)	Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021
Cash provided by (used in):		
Operating activities	\$ (15,754)	\$ 11,894
Investing activities	(15,534)	(4,567)
Financing activities	7,354	(7,541)
Effect of exchange rate changes on cash and cash equivalents	(337)	248
Net change in cash and cash equivalents	\$ (24,271)	\$ 34

Cash flows consisted of the following:

Cash (used in) provided by operating activities

Nine months ended February 28, 2022 and 2021:

- Net loss of \$20.3 million and \$12.1 million for the period ended February 28, 2022 and 2021, respectively, plus the non-cash items, primarily driven by depreciation and amortization and stock based compensation, along with the changes in working capital below, contributed to cash used in operations of \$15.8 million and cash provided by operations of \$11.9 million, respectively, for these periods.
- For the period ended February 28, 2022, working capital was negatively impacted by decreased accounts payable, accrued liabilities and other liabilities of \$11.8 million, mainly driven by the payment of annual incentive compensation in the first fiscal quarter along with increased accounts receivable of \$6.4 million.
- For the period ended February 28, 2021, working capital was negatively impacted by increased accounts receivable of \$1.8 million and decreased accounts payable, accrued liabilities and other liabilities of \$1.7 million. Inventory had a favorable impact on working capital of \$11.1 million.

Cash used in investing activities

Nine months ended February 28, 2022 and 2021:

- \$3.3 million and \$4.6 million, respectively, of cash was used for fixed asset additions;
- \$8.7 million of cash was used for Auryon placement and evaluation unit additions in fiscal year 2022; and
- \$3.6 million of cash was used for the QX Medical asset acquisition in the first quarter of fiscal year 2022.

Cash provided by (used in) financing activities

Nine months ended February 28, 2022 and 2021:

- \$5.0 million draw on the Revolving Facility in the first quarter of fiscal year 2022 for the QX Medical asset acquisition;
- \$10.0 million payment on the Revolving Facility in the third quarter of fiscal year 2021; and
- \$2.4 million and \$2.5 million, respectively, of proceeds from stock option and ESPP activity.

The Credit Agreement provides for a \$125.0 million secured Revolving Facility, which includes an uncommitted expansion feature that allows the Company to increase the total revolving commitments and/or add new tranches of term loans in an aggregate amount not to exceed \$75.0 million. The Credit Agreement includes customary representations, warranties and covenants, and acceleration, indemnity and events of default provisions, including, among other things, two financial covenants. One financial covenant requires us to maintain a fixed charge coverage ratio of not less than 1.25 to 1.00. The other financial covenant requires us to maintain a total leverage ratio of not greater than 3.00 to 1.00. The total leverage ratio is based upon our trailing twelve months total adjusted EBITDA (as defined in the Credit Agreement). The amount that we can borrow under our Credit Agreement is directly based on our leverage ratio. The interest rate on the Revolving Facility at February 28, 2022 was 1.36%. The Company was in compliance with the Credit Agreement covenants as of February 28, 2022.

In the first quarter of fiscal year 2022, the Company made a \$5.0 million draw on the Revolving Facility in conjunction with the QX Medical asset acquisition. In December 2020 and March 2021, payments of \$10.0 million each were made on the Revolving Facility. We believe that our current cash balance, together with cash generated from operations and access to our Revolving Facility, will provide sufficient liquidity to meet our anticipated needs for capital for at least the next 12 months. If we seek to make acquisitions of other businesses or technologies in the future for cash, we may require external financing.

New Accounting Pronouncements

Information regarding new accounting pronouncements is included in Note 17 to our consolidated financial statements in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Exchange Rate Risk

We are exposed to market risk from changes in currency exchange rates, as well as interest rate fluctuations on our Revolving Facility and investments that could impact our results of operations and financial position.

We transact sales in currencies other than the U.S. Dollar, particularly the Euro, British Pound and Canadian Dollar. For the nine months ended February 28, 2022, approximately 6% of our sales were denominated in foreign currencies. We do not have expenses denominated in foreign currencies at the level of our sales and as a result, our profitability is exposed to currency fluctuations. When the U.S. Dollar strengthens, our sales and gross profit will be negatively impacted. In addition, we have assets and liabilities denominated in non-functional currencies which are remeasured at each reporting period, with the offset to changes presented as a component of Other (Expenses) Income. Significant non-functional balances include accounts receivable due from a subsection of our international customers.

Interest Rate Risk

We have a Credit Agreement which provides for a \$125.0 million Revolving Facility. Interest on the Revolving Facility will be based, at the Company's option, on either a base rate of LIBOR or alternate base rate, plus an applicable margin tied to the Company's total leverage ratio and having ranges between 0.25% and 0.75% for base rate loans and between 1.25% and 1.75% for LIBOR loans. In the event of default, the interest rate may be increased by 2.0%. As of February 28, 2022 there was \$25.0 million outstanding on the Revolving Facility. The interest rate on the Revolving Facility at February 28, 2022 was 1.36%.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist primarily of cash and cash equivalents, our Revolving Facility and trade accounts receivable.

The Company maintains cash and cash equivalents at various institutions and performs periodic evaluations of the relative credit standings of these financial institutions to ensure their credit worthiness. In addition, the Credit Agreement is structured across five above investment grade banks. The Company has the ability to draw equally amongst the five banks which limits the concentration of credit risk of one institution.

Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers that purchase products from the Company. No single customer represents more than 10% of total sales. The Company monitors the creditworthiness of its customers. As the Company's standard payment terms are 30 to 90 days from invoicing, the Company does not provide any significant financing to its customers. Although the Company does not currently foresee a significant credit risk associated with the outstanding accounts receivable, repayment is dependent upon the financial stability of our customers.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

As of the end of the period covered by this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting for the fiscal quarter ended February 28, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

AngioDynamics, Inc. and Subsidiaries**PART II: OTHER INFORMATION****Item 1. Legal Proceedings.**

See Note 14 "Commitments and Contingencies" set forth in the notes to our consolidated financial statements included in Part I, Item I of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors.

In addition to information set forth in this report, you should carefully consider the factors discussed in "Part I, Item 1A. Risk Factors" of our annual report on Form 10-K for our fiscal year ended May 31, 2021 which set forth information relating to important risks and uncertainties that could materially adversely affect our business, financial condition or operating results. You should review and consider such Risk Factors in making any investment decision with respect to our securities. An investment in our securities continues to involve a high degree of risk. There have been no material changes to the risk factors previously disclosed in our annual report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information with respect to the shares of the Company's common stock repurchased during the three months ended February 28, 2022:

	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (2)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under Plans or Programs (2)
December 1, 2021 - December 31, 2021	953	\$ 26.46	—	\$ —
January 1, 2022 - January 31, 2022	—	\$ 23.26	—	\$ —
February 1, 2022 - February 28, 2022	2,862	\$ 21.72	—	\$ —
Total	3,815	\$ 22.90	—	\$ —

(1) These shares were purchased from employees to satisfy tax withholding requirements on the vesting of restricted shares/units from equity-based awards.

(2) These amounts are not applicable as the Company currently does not have a share repurchase program in effect.

Item 3. Defaults on Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6

No.	EXHIBIT INDEX Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
31.1	Certification pursuant to Rule 13a-14(a) or 15d-14 under the Securities Exchange Act of 1934			
31.2	Certification pursuant to Rule 13a-14(a) or 15d-14 under the Securities Exchange Act of 1934			
32.1	Certification of Chief Executive Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
32.2	Certification of Chief Financial Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document			
101.SCH	XBRL Schema Document			
101.CAL	XBRL Calculation Linkbase Documents			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	XBRL Labels Linkbase Documents			
101.PRE	XBRL Presentation Linkbase Documents			

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ANGIODYNAMICS, INC.
(Registrant)

Date: April 7, 2022

/ S / JAMES C. CLEMMER

**James C. Clemmer, President,
Chief Executive Officer
(Principal Executive Officer)**

Date: April 7, 2022

/ S / STEPHEN A. TROWBRIDGE

**Stephen A. Trowbridge, Executive Vice President,
Chief Financial Officer
(Principal Financial and Accounting Officer)**

CERTIFICATION

I, James C. Clemmer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AngioDynamics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 7, 2022

/S/ JAMES C. CLEMMER

James C. Clemmer, President,
Chief Executive Officer

CERTIFICATION

I, Stephen A. Trowbridge, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AngioDynamics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 7, 2022

/S/ STEPHEN A. TROWBRIDGE

Stephen A. Trowbridge, Executive Vice President,
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO TITLE 18,
UNITED STATES CODE, SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James C. Clemmer, President, Chief Executive Officer and Director of ANGIODYNAMICS, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

1. the quarterly report on Form 10-Q of the Company for the fiscal quarter ended February 28, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 7, 2022

/ S / JAMES C. CLEMMER

James C. Clemmer, President,
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO TITLE 18,
UNITED STATES CODE, SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen A. Trowbridge, Executive Vice President and Chief Financial Officer of ANGIODYNAMICS, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

1. the quarterly report on Form 10-Q of the Company for the fiscal quarter ended February 28, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 7, 2022

/ S / STEPHEN A. TROWBRIDGE

Stephen A. Trowbridge, Executive Vice President,
Chief Financial Officer